

# Don't Patent That!

Jason Balich • Wolf Greenfield

Did you know that you don't need to patent every bright idea that you have in order to make money off it? Some of the most valuable intellectual property is protected as a trade secret. And to have a trade secret, you don't even need to file an application for it — you just don't tell anyone what the secret is.

Think of Coca-Cola. Despite being required to print its ingredients on every single bottle, Coca-Cola has made billions off its trade secret recipe. If Coca-Cola's inventor had decided to file a patent application in 1892 instead of keeping the recipe a secret, patent protection would have expired long before Pepsi ever came onto the market in 1965. Patent protection lasts 20 years at most. Trade secrets can last forever.

As engineers, sometimes we just assume that to make money off an invention, you have to file a patent application. That's simply not true. The law firm at which I work recently met with the founder and CEO of a small company that pioneered a new process of separating a chemical from a feedstock. That invention had the potential to drastically reduce production costs for a wide swath of bulk commodity products. He had just suffered through a presentation from a different law firm that proposed his company spend hundreds of thousands of dollars to patent the process and was astounded to hear our proposal: "Don't patent that!"

Patenting an invention requires disclosing the invention to the world. Thus, any patent covering this company's technology would have been an invitation for competitors to secretly profit from it without paying a dime. It would have been impossible to tell if a competitor was using the technology or not without storming into the competitor's factory and demanding to make an inspection. Regardless of what you have seen in the movies, that simply never happens in real life — there is a reason it is called "civil" litigation.

There is no point in having a patent if you can't tell if anyone is infringing it without banging down their door. We suggested that the company keep the technology a trade secret and license it with strong contractual and physical

protections to maintain its secrecy. The CEO was both relieved that he did not have to shell out large sums of money for patent prosecution and delighted he could still monetize the technology.

The question then becomes, when does patenting an invention make sense and when does keeping it a trade secret make sense? While the answer is "it depends," there are a few basic guidelines:

- *Process vs. product.* Generally, products make more sense to patent because you want to sell them to the public, and many products can be reverse-engineered, which can destroy a trade secret. Processes and recipes lend themselves better to trade secret protection. Most processes and recipes can typically be kept under lock and key and used behind closed doors.

- *Patent eligibility.* Some things simply are not eligible for patent protection in the first place: laws of nature or abstract ideas. For example, many ideas involving the use of software are not patentable. But many things that you cannot typically patent (customer lists, software, bill of materials, suppliers, etc.) can all be kept as secrets so long as they are not generally known and indeed kept secret.

- *Cost vs. benefit.* Let's face it, filing a patent application is not free. Not disclosing your invention to others is. For close calls, sometimes it just comes down to economics. If the invention really does not provide a huge competitive advantage, then it may make sense simply not to tell anyone about it and maintain it as a secret, because it costs very little to do.

- *Start-ups.* Slightly different rules may apply for start-up companies looking for investors. No investor would invest in a company that says it has a trade secret but cannot say what it is. Patent applications provide a convenient way for start-up companies to establish ownership of a technology and then disclose their invention to investors with confidence.

Of course, trade secrets have risks too. A competitor could independently discover your invention, or reverse-engineer it, and there is no prohibition in that. Or you could lose your trade secret by someone accidentally disclosing it. You can, and should, take reasonable measures to protect your trade secret; those measures are a topic for a future column.

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