

USING PATENT PUBLICATION LAWS TO YOUR ADVANTAGE  
REGARDING THE EXPLOITATION OF TRADE SECRETS

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In 2000, U.S. patent law changed to conform with those of the rest of the world by requiring the publication of patent applications eighteen months after filing. Before this change, the U.S. law allowed a patent application to remain confidential during its pendency period, which can often last longer than eighteen months. During this secret pendency, the world was denied access to the information contained in the patent application.

From the standpoint of the inventor, the old U.S. law allowed him to observe the state of the art and determine if deep-pocket competitors were selling products that were directly infringing, or close to infringing, his patent application. If direct infringement was occurring, the inventor merely issued the patent, and sued. If the competitor was "close to" but not quite infringing, the inventor could amend the application and/or file additional applications (based upon the original); the goal being to cause a "close to" to be converted to a "direct" infringement. The inventor could then proceed to have the patent(s) issued and sue for damages. Such a tactic was known as "submarine" patenting, because the unknown patent application would surface and sink the competitor.

From the standpoint of the competitor, the pre-2000 secrecy laws prevented it from having notice of the content of the patent application, for purposes of making non-infringing, "design around" products. As such, this lack of notice, caused the public to argue that it was being held hostage by the old non-publication system, and the submarine patents it fostered. Many of these arguments came from foreign companies who did business in the U.S. and had not experienced the submarine patent phenomenon in their pro-publication foreign patent systems.

In an effort to avoid submarines, and to conform with the rest of the world, eighteen month publication has become the new rule in the U.S. However, remnants of the old law remains, which have left loopholes in the U.S. patent system, allowing the submarine game to continue to be played. Also, and awareness of the new publication rules is important to companies who are in a dilemma with regard to whether they should file patent applications on trade secrets they own.

As for submarine patents, the new rules allow an inventor to maintain the secrecy of his patent application(s) as long as the inventor is going to seek a patent only in the U.S. Further, the inventor must file a "non-publication" request form, with its patent application, in which the inventor swears that

he will not seek patents outside of the U.S. The law allows the inventor the change his mind and revoke the non-publication request if he decides to seek foreign patents later on. Assuming that the inventor is seeking a U.S. patent, only, then the possibility of playing the submarine game remains. As such, competitors may still end up being surprised at some point with a patent lawsuit file by the inventor.

As for trade secret issues, it is often prudent for an inventor to file a patent application on a trade secret if the inventor is unsure as to whether the trade secret can be easily reverse engineered. The reason for this is that if a trade secret is a good candidate for remaining a secret, the inventor can own the trade secret potentially much longer than the typical 20-year patent term. In trade secret law, reverse engineering, along with openly disclosing the trade secret, are the two ways in which a trade secret can be destroyed. Things that are easy to reverse engineer (e.g. mechanical items where a skilled copyist need only take the item apart to discover how it works) are poor candidates for trade secrets. Alternatively, things that are difficult to reverse engineer (e.g. chemical or metallurgical processes where exact temperatures, pressures and mixtures are required to successfully practice an invention) are good candidates for trade secrets.

Often, an inventor might think she has a good candidate for a trade secret. However, the inventor may underestimate the ability of competitors to reverse engineer the trade secret, and once this is done, the trade secret advantage is lost. In such a situation, if the competitor then publicly discloses the trade secret, upon reverse engineering, the inventor can still file a patent application within one year of the disclosure, and later sue the competitor for patent infringement. This can only be done in the U.S., because the competitor's public disclosure destroys the ability of the inventor to seek foreign patents.

However, the competitor is allowed to file a patent application (upon reverse engineering the trade secret), as well. At this point the original inventor may lose all rights (both trade secret and patent) if the U.S. Patent Office decides that the competitor filed its patent first and was more diligent in bringing the former trade secret to the condition of a public patent. The Patent Office rewards the disclosure of inventions and rewards inventors who move quickly to patent their inventions. The inventor who dallied by first using the trade secret system and then attempted to recapture his invention by filing an application once the trade secret was reverse engineered, may be

less sympathetic in the eyes of the Patent Office than the diligent competitor.

Alternatively, a trade secret can be patented by a second inventor who discovers it by legitimate means (independent research or reverse engineering). If the first trade secret owner has been using the trade secret for more than a year prior to the second inventor's patent filing date, the second inventor cannot sue the trade secret owner; they have to survive in the market side by side. However, if the second inventor's patent filing date is within one year of the first trade secret inventor, the second patent holder can sue the first trade secret holder for infringement.

Another pitfall that can undo the trade secret owner is with regard to public sales of the product of a trade secret process. The trade secret owner will not be able to patent the process if more than one year has passed from the date of first sale of the product of the process.

The above pitfalls await the inventor if he relies on the trade secret system, alone. That is not to say that this reliance does not have significant advantages, as noted above, over the patent system, however, the inventor should consider filing a patent application first, on the trade secret, and then keep the patent application a secret for as long as possible. This tactic requires that the inventor be aware of the eighteen month publication requirement that can destroy a trade secret.

By preventing publication, the inventor can enjoy the advantages afforded by both the trade secret and patent systems, namely: 1) as first patent filer, the inventor will not be trumped by a diligent competitor who reverse engineers the trade secret and then files a patent application; 2) the use of a non-publication request will allow the inventor to maintain the trade secret during the patent pendency period by avoiding eighteen month publication; 3) by using a combination of both provisional patent and utility patent filings, the inventor can stretch the secret pendency period out to 2.5 years, or more; and 4) by filing first, prior to any public disclosure of the trade secret by a competitor, the inventor can maintain the possibility of obtaining foreign patents (upon revoking any non-publication request).

With regard to the third advantage above, the long pendency will allow the inventor to gauge the market. If in the estimated 2.5 years pendency, a competitor reverse engineers the trade secret, then the best strategy would be to have the patent proceed to a public issuance and sue the competitor.

However, if the trade secret proves to stand the test of time, and no competitors can effectively reverse engineer, then the inventor has the option of abandoning the patent application and continuing on the trade secret route with the hope that the secret will remain so for longer than any 20-year patent maximum term.

Also, if the above strategy is to work, the inventor cannot file additional patent applications which refer to the first patent containing the trade secret. If this occurs, then any member of the public has a right to discover the underlying patent applications upon which a later patent depends, thereby again destroying any trade secrets. Therefore, to successfully maintain a trade secret in a patent application, the patent application must stand completely alone.

In conclusion, having an awareness of the eighteen month publication law is crucial to taking advantage of what remains of the submarine patent strategy. Additionally, unless procedures such as the non-publication request are adhered to, an inventor cannot effectively avail himself of the trade secret/patent application strategy detailed herein.