Jordan Grotzinger (00:05):

Welcome to the trade secret law evolution podcast, where we give you comprehensive summaries and takeaways on the latest developments and trends in trade secret law. We want you to stay current and ahead of the curve when it comes to protecting your company's most valuable assets. I'm your host Jordan Grotzinger. So we're doing this sort of bonus episode of this podcast because of the importance of the choice between patent protection and trade secret protection, which arises a lot. If you're a business owner, I had a conversation recently with a founder of a plant protein company business. I find pretty fascinating about how that company protects its IP, whether it's patent or trade secret. And in that case, it was sort of a hybrid portfolio. But if you're running a business with IP that you want to protect often, this is an issue you've got to address. So with me today is my longtime partner, Valerie Ho, Val, how long we've been working together way too long,

Valerie Ho (01:16):

feels like it's been too long.

Jordan Grotzinger (01:18):

It has been too long.

Valerie Ho (01:19):

So I, I started at Greenberg Traurig in April of 2002. When did you start?

Jordan Grotzinger (01:26):

April of 2001.

Valerie Ho (01:27):

All right.

Jordan Grotzinger (01:28):

Yeah, A lot more gray hairs. Yikes. Anyway, I wanted you on, because you can talk about your practice, but you are a patent lawyer and that is not an area that I can speak of intelligently. So I wanted an accomplished patent lawyer to really just have a brief conversation on what to think about when deciding how to protect your IP, uh, if it's patent or trade secret. Why don't you say a few words about your practice?

Valerie Ho (01:58):

Sure. So my practice focuses on intellectual property litigation, including patent trademark and copyright litigation. I represent large multinational companies as well as smaller companies and startups in connection with, um, issues ranging from IP protection and enforcement to defensive claims of infringement rights, clearance, risk mitigation strategies, and licensing specifically with respect to patent litigation. I regularly practice in the central district of California, the Eastern district of Texas and the district of Delaware, um, which as you probably know, the Eastern district of Texas and the district of Delaware are the hotspots hotspots for patent litigation. So we regularly appear in those districts. And with respect to the cases I've been involved and span a lot of different technologies, including mobile devices and mobile applications, flat screen displays, medical devices, robotic toys, um, kitchen wear exercise equipment as well as industrial equipment. So it ranges across a lot of different technologies.

Jordan Grotzinger (03:19):

So what I thought we would do is briefly talk about, and obviously this is a subject of, uh, most of our episodes, but what a trade secret is, what a patent is and how they differ and what you as a business owner should be thinking about in terms of, uh, which mode of protection to use. So what is a trade secret? A trade secret can be any kind of information, really a method, a formula, a process, as long as it is not generally known that is secret valuable to its owner and to others because of its secrecy, otherwise known as independent economic value and subject to reasonable measures to maintain that secrecy. So as long as those elements are met, anything that fits in them can constitute a trade secret. Here's where I could not answer the question, Valerie, what is a patent?

Valerie Ho (04:20):

So patent basically is a registration that you are given as the patentee by the us patent office that covers an invention or inventions. And the patentee is granted in conjunction with the registration, a monopoly for a limited period of time to practice the invention. And that would include de exclusive right to make use, sell, or import into the U S the patented invention.

Jordan Grotzinger (04:55):

So for someone, for a company deciding which mode of protection to use, how do they differ? What distinguishes a patent, uh, from, uh, other than what you just said from how I define the trade secret?

Valerie Ho (05:14):

I think the primary difference is obviously there are a number of differences, but the primary difference is a patent is not secret. So in order to get a patent, you go through a, what we call a patent prosecution process, where you submit an application to the patent office, and there is a back and forth with the patent office. The application itself, at some point gets published and is a part of the public record. So by definition, the invention is not secret because you have disclosed it first to the patent office and then to D uh, to the public.

Jordan Grotzinger (06:06):

So if one is successful in obtaining a patent, if your patent is approved, how long does that protection last?

Valerie Ho (06:16):

Typically it lasts 20 years from the effective filing date of the application. There are some exceptions. Uh, so for example, if you have a second patent that claims some minor differences from the first patent, and there's, what's called a terminal disclaimer, then the second patent may expire at the same time as the first patent to ensure that you're not extending the period of the patent, but typically it's 20 years from filing.

Jordan Grotzinger (06:52):

So you've got patent protection of this public patent typically for 20 years. Um, what happens even though it's public, what happens if somebody is able to recreate the invention without knowing about the patent? In other words, it wasn't, I'm going to look at this patent and copy it or infringe it, but independently, an inventor invents, something that's that is covered by a patent. What happens then

Valerie Ho (07:26):

In, in patent law, there isn't this concept of independent creation that you have, for example, in the area of copyright law. So if, if someone has a patent that covers an invention, that person has exclusive rights with respect to that invention. And it doesn't matter if someone independently later on comes up with a similar invention that is deemed to be covered by the patent.

Jordan Grotzinger (07:58):

We'll talk about that is, uh, a key difference between, uh, patent protection and trade secret protection. What are some limitations on patent protection?

Valerie Ho (08:08):

So there are a few, a number of limitations actually. Um, the first thing is, and, and this is keeping in mind, you know, the con contrast between patent rights and trade secret rights versus other types of IP rights. One of the things is that patent patents do not cover abstract ideas or natural phenomenon. So for example, the concept of hedging risk or hedging investments would not be patentable. Um, and there's case law on that point, because that's something that is known. Uh, so that's an abstract idea, or another example is the concept of an electronic escrow service. That's also something that's been held to be an abstract idea because escrow companies and the idea of using an escrow is an idea, and it's been known. And so there are abstract ideas that the courts have found to be not eligible patent subject matter.

Jordan Grotzinger (09:28):

Can you talk a little bit about the patent application and examination process and what that involves for the applicant? I mean, I had asked about limitations, um, and now I'm getting a little more into, or maybe a requirement, but for some that may be a limitation. So do you set a little light on that? Sure.

Valerie Ho (09:50):

A limitation in the sense that the patent prosecution process is expensive and long. So depending on the on the applicant and the company that is seeking this protection and the size of the company and, and their budget, sometimes it may be cost prohibitive. So typically the way that, um, that the process works is you need to retain counsel to prepare your patent application. Um, there's a fee associated with that. There's a filing fee. And then as I said before, there is a back and forth with the patent office where, you know, in connection with preparing your application, your counsel will have to look for prior. Art will have to disclose prior art, and we'll have to ensure that what you believed invention to be is actually novel. And then that is, uh, submitted to the patent office. And there's a back and forth and their office actions and the patent office may tell you, well, we found additional priority. And because of this priority, your invention is actually not new. And so there's, there is significant back and forth, and it may take years to get a patent issued. And so there is significant expense associated with that. And typically a non-provisional patent, um, can cost anywhere from 15,000 to $30,000 or more to prosecute.

Jordan Grotzinger (11:39):

Can you briefly define for us non patent lawyers? What, what prior art is? .

Valerie Ho (11:47):

There are a number of things that can constitute prior art, but an example of prior art would be a patent, um, that someone else has that predates the filing of your patent that already discloses your invention. So that would be an example of prior art. Another example of prior art are printed publications. So for example, and academic article, um, that also discloses your invention before the filing date of your patent application.

Jordan Grotzinger (12:31):

So turning to trade secret protection and how that differs from patent protection. I think there are sort of three main buckets to consider. Number one, unlike a patent with a trade secret, there's no disclosure or filing necessary. Uh, that's kind of common sense because the disclosure would render the trade secret, not secret anymore. So to constitute a trade secret, as I mentioned, the information or, or method or process or whatever it is that you're trying to protect just needs to be secret valuable to the owner and to others because of its secrecy and subject to reasonable measures to maintain secrecy. Number two, unlike a patent, uh, there is no exploration trade secrets can exist in perpetuity. And, uh, you know, the probably the most famous trade secret is a certain formula for a certain beverage. That's been around a very long time, but of course, uh, you can't just sit back and assume your trade secret will stay that way forever, constant vigilance and adaptation of your protections is required, particularly with technologies.

Jordan Grotzinger (13:51):

And as I've discussed on the podcast before, I think that what constitutes reasonable measures to maintain secrecy generally falls into four buckets, but it's in a, you know, as technology evolves and, uh, as products evolve, your protection presumably will need to evolve. Those four buckets are, uh, contracts or agreements. For example, with employees that say that confidential information, can't be disclosed, et cetera, corporate policies, uh, company policies often prohibit, uh, or limit the disclosure of confidential or trade secret information. Technology may be the most important bucket in the protection area, uh, passwords, virtual, private networks, firewalls, et cetera. Uh, I could go on and on, on that. And lastly, but still somewhat importantly as physical protection, you know, we're, we're talking mostly, uh, electronic information now, but, um, still gotta lock the doors. So that's another bucket to consider to close the loop on that subject, even though there's no expiration on trade secrets, the protection always has to be, um, evolving to, uh, to stay reasonable in terms of maintaining the secrecy of your information.

Jordan Grotzinger (15:21):

And third, and this is a big difference between trade secret and patent protection. Unlike with patent protection, a trade secret can be reverse engineered. So I'd asked Valerie before, you know, what, if somebody just independently invent something and in the patent world, that doesn't matter if you've got a valid patent, um, that inventor, even though he or she didn't copy, the patent would still be liable for infringement, not so with trade secrets, with trade secrets, if somebody can reverse engineer a formula or some other secret independently, uh, then, then that person's use of that information is not actionable. It's not trade secret misappropriation. So those are the three big differences, I think, between, uh, trade secret protection and patent protection. So we've given them the listeners, a mouthful. And then in our episodes, Valerie, we, we, uh, end each episode with sort of concrete takeaways that the listeners can use. So for those considering which mode of protection to use, what should they be thinking about, uh, when making this decision?

Valerie Ho (16:39):

I think one of the things to consider is obviously cost. How much is it going to cost to apply for and maintain a patent? Because once you get a patent, they're also maintenance fees that you will have to pay at the patent office, um, and also attorney's fees that you will have to pay to prosecute a patent. So one thing to consider is, is it more cost-effective to treat your information as a trade secret and sufficiently protected, um, in all the ways that Jordan just talked about, or is it more cost effective to get a pack?

Jordan Grotzinger (17:28):

So on the cost element, what we're really talking about is balancing between the cost of patent prosecution and obtaining your patent, which can be a lengthy process involving counsel versus, uh, essentially the cost of maintaining the secrecy of a trade secret, uh, which depends on the asset and is, is a case by case decision, but that's, that's the balance. Uh, another consideration is timing, as you said, patents are generally with some exceptions, generally 20 years. So in thinking about which kind of protection you want, uh, is that, you know, depending on the asset and on your business is that length of time sufficient. If you are that beverage company that I mentioned with it's secret it's secret formula, uh, and expect to stay in business for decades or more is 20 years sufficient, probably not. And so you would choose trade secret protection

Valerie Ho (18:32):

That's right. And another factor is considering whether something is patentable or not, right? Because in addition to abstract ideas, when we talked about that earlier, there are other things that are just not protectable by patent. Those would include, for example, customer lists or pricing strategies, which I know from experience my clients find to be extremely confidential and they do consider to be a trade secret, but information like that would not be patentable because they're not inventions. So another consideration is you can typically get a patent that covers a new and useful process machine manufacturer, or a composition of matter or any, um, improvement thereof. But typically, and I C I.C does quite a bit. Sometimes clients don't understand that there is a concept called the on- sale bar, uh,

Jordan Grotzinger (19:44):

The on-sale bar.

Valerie Ho (19:46):

failed bar, where if you, uh, rush to launch a product, right. Um, and you don't file your patent application if your product that, um, is embodying, your invention is already out in the market and has been sold and you have offered it for sale. And that has happened more than a year before you file for your patent application. Then that patent, even if you were to get it issued, would likely be invalid. So in a situation where the client has gone to market already, um, one thing to consider, maybe it's too late to file for a patent application, and you should take the trade secrets, right?

Jordan Grotzinger (20:30):

So if the client's own product has been on the market for over a year, that could weigh against patentability. Correct. Interesting. Okay. Well, that is good to know. Another factor is the risk of duplication, uh, in, in other, in other words, how easily can the information or your IP be reverse engineered? Because if it can be reversed engineered with relative ease, that would weigh in favor of

choosing patent protection, because as we discussed, it doesn't matter if, uh, somebody independently reverse engineers or copies of patent. If the patent is valid, that would be infringement. Whereas with trade secret protection, reverse engineering is fair and square. So another factor is how hard is it to reverse engineer the information, if it's easy, it ways toward patent, if it's hard, uh, perhaps trade secret is the way to go.

Valerie Ho (21:34):

And another factor to consider is how likely is it that the information can be kept secret? Uh, what I often see is companies trying to keep their information secret, but in a company with many employees, it's not always easy because not everyone is going to always enter into NDAs or always get those NDA signed. Um, not all employees are careful with their passwords or with keeping pricing information or customer information completely confidential. So that's something to consider.

Jordan Grotzinger (22:29):

Great. So just to summarize the main factors to be considered when choosing between trade secret and patent protection, cost timing is the information patentable risk of duplication. In other words, how easily can it be reverse engineered and how hard or easy is it to maintain the secrecy of the information? So I hope that helped. I know that was a high level overview of a somewhat complex subject, um, and the listeners know how to reach us, but since you're not in the outro recording, what's your email address? Well,

Valerie Ho (23:09):

H O V@GTlaw.com

Jordan Grotzinger (23:13):

She is the patent expert. I am not Valerie. Thank you very much. Bye everybody. Okay. That's a wrap. Thanks for joining us on this episode of the trade secret law evolution podcast as the law evolves. So will this podcast, so we value your feedback, let us know how we can be more helpful to you. Send us your questions and comments. You can reach me by email GrotzingerJ@gtlaw.com or on LinkedIn. And if you like, what you hear, please spread the word and feel free to review us. Also, please subscribe. We're on Apple podcasts, Stitcher, Spotify, and other platforms. Thanks everybody. Until next time,

Jenna MacCabe (23:53):

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