



Are "Trade Secrets" Replacing Patents ?

Keep competitors from pirating your technology by being aware of your (and their) options.

If you are reading this column, you are probably a NARTE Certified Engineer and a leader in your field of technology. In your career you have probably developed many useful things that never existed before. You will probably do so again. To keep your competitors from pirating this technology, you or your employer have two choices: Patents or Trade Secrets.

Secrecy is cheap and it often works. It lets you get started in business right away. Now here's what happens with a patent. First you have to prepare an application. The rules for this are many and truly arcane. Even a semicolon has a very special meaning. These rules appear in Title 35 of the United States Code, and in a 25-volume set of books called the Manual of Patent Examining Procedure (MPEP). See:

<http://www.uspto.gov/web/offices/pac/mpep/mpep.htm>

As is no surprise, the rules are always changing due to new laws and new court decisions. In spite of all this, it's easy to get a patent. While it's best to get a good patent attorney, you can actually read the MPEP and do it yourself. The Patent Office will help you. Patents can take 2 to 3 years to issue, and your product may be obsolete by then. When you finally get the patent, you will face the following hurdles:

Hurdle #1: Infringement

If a much bigger company decides to ignore your patent and just infringe on it, there may not be much you can do about it. Of course, you may be able to sue them. A small firm recently sued eBay for infringement. They won 35 million dollars. See Reference (a.)

Hurdle #2: Double Patenting

Using your disclosure, a much larger firm can usually get a patent on something almost identical (possibly separated by a semicolon.) They can then claim that you are infringing on *their* patent, and bury you in litigation.

Hurdle #3: Breaking the Patent

An aggressive competitor can ask a court to invalidate your patent. This can tie you up for years, and bury you in litigation again.

Hurdle #4: Re-Examination

A cost-conscious competitor can ask to have your

patent re-examined. For a very reasonable fee, someone can claim that your invention was previously disclosed in some obscure publication. The patent office will re-open your application to see if your patent should be invalidated. This can put your patent in limbo for a while. A big foreign conglomerate recently tried to do this to one of our patents. They failed, thanks to Jim Gatto of Reston, Virginia, an excellent patent attorney if you need one. See:

http://www.mintz.com/about/directory/biography/183/James_G_Gatto/

In spite of all these hurdles, patenting can be worthwhile even for a small firm. Your competitors may want to license your patent, and pay you a royalty. One competitor may want to buy it outright, and use it to deny market access to all the others. These options may be attractive, but they miss the original purpose of patents. They don't help you make things, sell things, build a business, and create jobs. They don't increase the industrial capability of the country.

This may be why many firms who are truly interested in bringing new products to market are increasingly resorting to secrecy. Those of us who run testing laboratories see it every day—an unprecedented increase in client requests for Non-Disclosure Agreements. While we are happy to accommodate them, I think that the long term effects of this trend are bad—economic stagnation, unemployment, and the overall erosion of technological capability.

This cloud, however, may have a silver lining. With secrecy will come new requirements for communications security. This could mean new opportunities for NARTE Certified Engineers. For more information, send an email to me via NARTE Headquarters. I will be happy to reply to NARTE MEMBERS ONLY. ☺

Reference (a): "Ebay Is Ordered To Pay \$35 Million In Patent-Infringement Case," by David Bank. *THE WALL STREET JOURNAL* Wednesday, May 28, 2003.

Please pass on any questions or comments concerning the above column to Lou Gnecco in care of NARTE News (kmills@bendcable.com). (Ed.)