A trade secret is not the first thought that pops into your head when you hear the words "intellectual property." Often standing in the shadow of the Patent World and unable to find a comfortable fit within Article 1, Section 8, Clause 8, of the Constitution, trade secrets are often the outsider of the IP world. That does not mean, however, that they should be overlooked nor should their value be undersold.

For many companies, trade secret protection may be the best method to control their valuable intellectual property. Perhaps their novel invention will never be sold to a customer or perhaps they never plan on the technology leaving the manufacturing plant floor. In these instances it may make more sense to invest in maintaining the innovation as a trade secret rather than delving into the patent system. What happens though, when that invention your company has chosen to retain as a trade secret is independently invented by your competitor who then patents the technology and seeks to enforce the patent against you, the earlier inventor? What protection do you have? As of September 16, 2011, the protection afforded to an entity...
using a trade secret greatly changed in favor of the trade secret owner.

With the stroke of his pen, President Obama ushered in a new era of patent law by signing the Leahy-Smith America Invents Act ("AIA") into law. Not since the Patent Act of 1952 has there been such sweeping reform to the patent laws of our country. In fact more than 70 sections underwent considerable amendments. One of these changes was the expansion of prior user rights. Before the AIA came into effect, prior user rights were effective only against business method patents. The 2011 AIA broadened the scope of the prior user defense to all patents.

Essentially, prior user rights protect businesses that choose to keep their invention a trade secret from being sued for infringement by a subsequent inventor who patents the same invention. The "prior user defense" is available to not only the earlier inventor, but also to any other entity that controls, is controlled by, or is under common control with with that entity to use the prior user defense.

If a party seeks to avail themselves to the protective harbor of the prior user defense, the entity must prove, through clear and convincing evidence, that the subject matter at issue in the patent infringement claim, was
in commercial use, and that such use was occurring at least one year prior to the effective filing date of the claimed invention. This commercial use also extends to any premarketing regulatory review (safety or efficacy) or to any continuing use by or in laboratories and non-profit entities. The defense, however, will not be an option for any subsequent commercialization or use outside such laboratory or nonprofit entity.

With the amendments to prior user rights, it is clear that Congress sought not only to alter the landscape relating to patents, but to change the level of protection for trade secrets as well. The new law affirmatively changes the law to protect the innovators from having their own technology taken from their hands.

There are many factors that go into deciding whether to disclose the technology and apply for a patent or opt for trade secret protection. Businesses should be ready and willing to have frank discussions about their business plan, what they seek to achieve, and the proper methods to implement in order to protect their company's valuable IP. With the new law in place, you should be more confident that your decision to keep a secret may not come back to haunt you.